CORRECTIONS, PUBLIC SAFETY AND POLICING

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2010

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Correctional Facilities Industries Revolving Fund as at March 31, 2010 and the statements of operations and accumulated surplus and changes in accumulated net expenditure (recovery) for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
August 20, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Statement 1

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Financial Position
AS AT MARCH 31

	2010	2009
Financial Assets		
Accounts receivable	$ 169,523	$ 259,890
Inventory for resale (Note 6)	89,614	106,057
Total Financial Assets	259,137	365,947
Liabilities		
Accounts payable and accrued liabilities	133,819	42,383
Accumulated net (recovery) expenditure (Statement 3)	(14,152)	173,871
Total Liabilities	119,667	216,254
Accumulated Surplus (Statement 2)	$ 139,470	$ 149,693

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Operations and Accumulated Surplus
FOR THE YEAR ENDED MARCH 31

	2010		2009
	Budget (Note 10)	Actual	Actual
Sales	$ 548,000	$ 527,848	$ 512,762
Cost of goods sold (Note 5)	481,525	495,139	468,069
Gross profit	66,475	32,709	44,693
Operating expenses:			
Salaries	49,000	26,906	6,179
Travel	450	---	---
Miscellaneous	2,400	2,313	2,077
Repairs and maintenance	600	19	---
Office supplies	1,250	2,485	1,589
Delivery	250	1,573	759
	53,950	33,296	10,604
(Deficit) Surplus from operations	12,525	(587)	34,089
Other income	---	57	332
Subsidy from General Revenue Fund	40,000	40,000	40,000
Annual surplus	$ 52,525	39,470	74,421
Accumulated surplus, beginning of year		149,693	75,272
Transfer to General Revenue Fund (Note 4)		(49,693)	---
Accumulated surplus, end of year (Statement 1)		$ 139,470	$ 149,693

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
Statement of Changes In
Accumulated Net Expenditure (Recovery)
FOR THE YEAR ENDED MARCH 31

	2010	2009
Financing required for (provided by) operating activities:		
Annual surplus	$ (39,470)	$ (74,421)
Working capital changes related to operations:		
(Decrease) increase in accounts receivable	(90,367)	121,202
(Decrease) increase in inventories	(16,443)	23,671
(Increase) decrease in current liabilities	(91,436)	1,259
Net (decrease) increase in financing requirements	(237,716)	71,711
Accumulated net (recovery) expenditure, beginning of year	173,871	102,160
Transfer to General Revenue Fund (Note 4)	49,693	---
Accumulated net (recovery) expenditure, end of year (Statement 1)	$ (14,152)	$ 173,871

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2010

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Revolving Fund is classified as an other government organization. These financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable for governments. These financial statements do not present a Statement of Change in Net Assets or a Statement of Cash Flows because this information is readily apparent from the Statement of Changes in Accumulated Net Expenditure (Recovery).

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

Expenditures of the Revolving Fund are made directly out of the General Revenue Fund (GRF) and receipts are deposited directly into the GRF. The excess of the accumulated expenditures over accumulated receipts is the accumulated net expenditure balance or outstanding borrowing from the GRF.

The accumulated net expenditure (recovery) of the Revolving Fund includes the aggregate of net financing requirements for all fiscal years resulting from the Revolving Fund's changes in working capital and net cash flow from operations.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under contract.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The approved surplus/deficit limit for the Correctional Facilities Industries Revolving Fund is $100,000 per year. During the year, the revolving fund paid excess surpluses of $49,693 (2009 - $0) to the General Revenue Fund.

5. Cost of Goods Sold

Cost of goods sold consists of the following:

	2010	2009
Materials	$ 173,448	$ 196,649
Supplies	26,861	16,878
Inmate Incentive	38,773	40,382
Staff Salaries	244,040	207,239
Shop Expense	12,017	6,921
	$ 495,139	$ 468,069

6. Inventory

Inventory consists of the following:

	2010	2009
Raw Materials	$ 72,938	$ 84,201
Work in Progress	1,929	17,329
Finished Goods	14,747	4,527
	$ 89,614	$ 106,057

7. Amount Reported in the Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the Annual Surplus of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2010	2009
Annual surplus after subsidy and other income	$ 39,470	$ 74,421
Decrease in inventory balance	16,443	23,671
Timing differences in recording receipts and payments	(4,779)	(63,722)
Net recovery reported in the Public Accounts	$ 51,134	$ 34,370

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Revolving Fund by virtue of common control by the Government of Saskatchewan and non-Crown agencies subject to joint control and significant influences by the Government of Saskatchewan (collectively referred to as related parties).

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various ministerial appropriations and therefore no provision for such costs is reflected in these financial statements.

Routine operating transactions with other related parties are recorded at agreed upon exchange amounts and settled on normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2010	2009
Sales	$ 94,755	$ 73,436
Accounts receivable	18,862	63,122

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

9. Credit Risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly, no provision has been made in the Revolving Fund's accounts.